

Appendix VII

Forming a Not For Profit Fire Service Organization

A non-profit organization is a group organized for purposes other than generating profit and in which no part of the organizations income is distributed to its members, directors, or officers. Some volunteer fire departments are organized as non-profit organizations.

Many -- but not all -- non-profit corporations, depending upon their purposes, can qualify for exemption from federal corporate income taxes. The U.S. Internal Revenue Code contains more than 25 different classifications of tax-exempt groups, including professional associations, charitable organizations, civic leagues, labor unions, fraternal organizations, and social clubs, to name just a few. Depending on the category of the exemption, such groups are entitled to certain privileges and subject to certain reporting and disclosure requirements and limitations on their activities. There are also a number of reporting requirements that must be adhered to after your organization is up and running.

Incorporation as a non-profit organization:

- Incorporation is a good idea if the group plans on being in existence for several years and has the need to raise money through grants and donations that require tax-exempt status.
- Incorporation and the process of seeking tax-exempt status can be costly and time-consuming.
- Liability of leaders and members of the corporation is limited (in other words, the individuals who control the corporation are not responsible, except in unusual situations, for the legal and financial obligations of the organization).
- There is a tax advantage for the financial donor if money is given to a tax-exempt corporation. (Tax-exempt status is defined in section 501 (c) (3) of the IRS Tax Code.) Money can, however, be legally given to any group or individual without tax-exempt status.
- Some foundations will simply not fund groups that do not have final approval from IRS of its tax-exempt application.
- Incorporation requires careful minutes of official organizational meetings and good financial record keeping.
- If the group's budget is more than \$25,000 per year, a tax return needs to be filed.
- Incorporation takes between 6 and 18 months to complete.

Incorporation Process:

- Develop clear and detailed By-laws and Articles of Incorporation
- Incorporation as a not-for-profit corporation within the state (filing with the state includes names and addresses of the first board of directors, etc.)
- File for recognition as tax-exempt with IRS

Estimated Costs for Incorporation . \$2,600

Attorney fees	\$1,000
Accountant fees	\$1,000
Incorporation fees (state)	\$ 50
Nonprofit application (IRS)	\$ 550